

SOLON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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Solon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dick Schwab	President	2017
Rick Jedlicka	Vice President	2017
Tim Brown	Board Member	2017
Dean A. Martin	Board Member	2015
Dan Coons	Board Member	2015
School Officials		
Sam Miller	Superintendent	2015
Pat Moore	School Business Official and Treasurer	2015
Kris Wentzien	District Secretary	2015
Ahlers & Cooney P.C.	Attorney	2015

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Solon Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Solon Community School District, Solon, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the propose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of account policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Solon Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Solon Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Solon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2016 on our consideration of Solon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of

our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Solon Community School District's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Solon Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,470,492 in fiscal year 2014 to \$12,754,339 in fiscal year 2015, while General Fund expenditures increased from \$12,589,293 in fiscal year 2014 to \$13,370,863 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$3,502,235 at June 30, 2014 to a balance of \$2,885,711 at June 30, 2015, which is a 17.60% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax, investment earnings and state aid revenues received compared to the prior year. Expenditures increased in the instructional and support services functional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Solon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Solon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Solon Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the Capital Projects Accounts.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

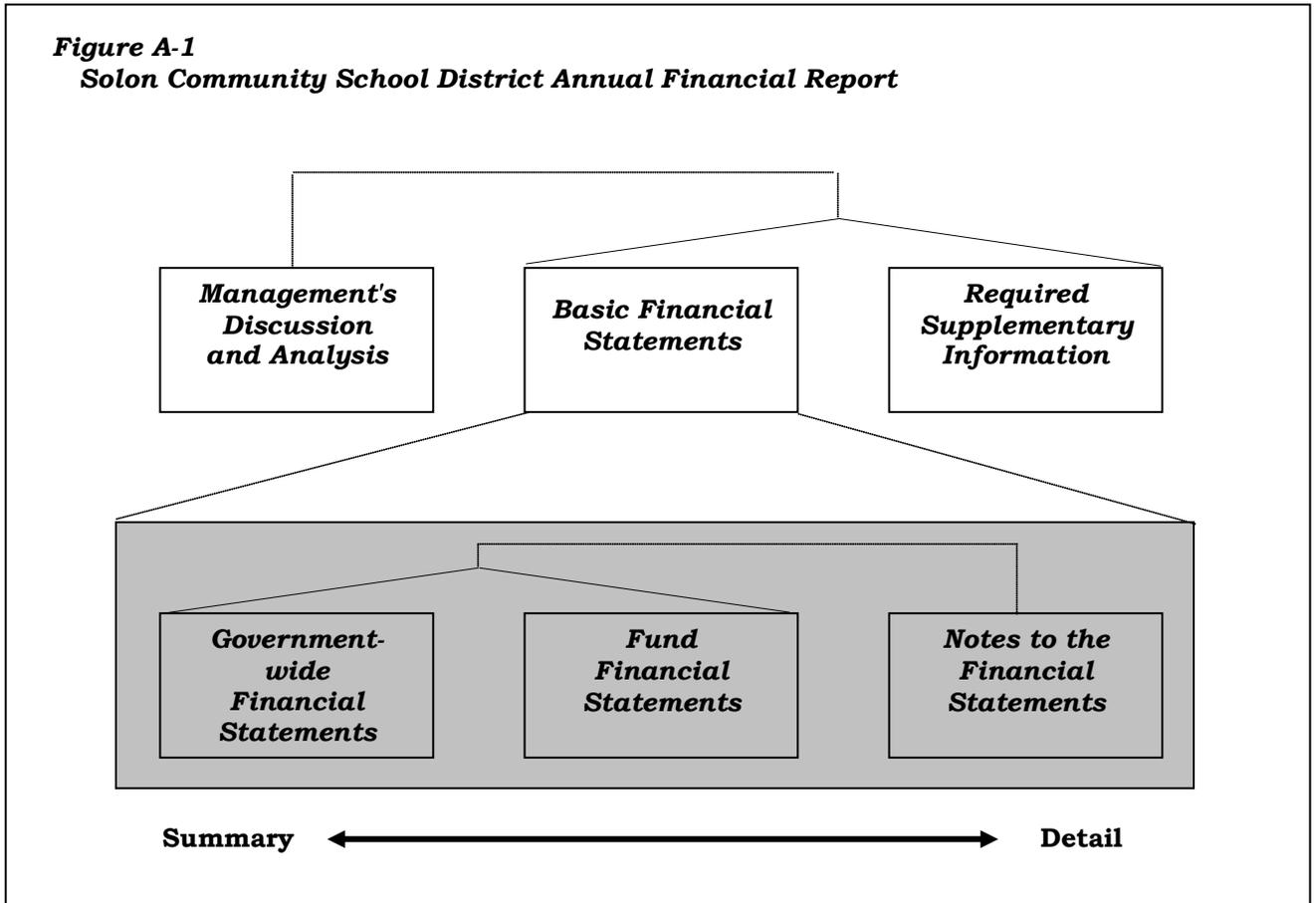


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service, before and after school, preschool, spart mart and stone academy	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition programs as well as the Before and After School, Preschool, Spart Mart and Stone Academy programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has five Enterprise Funds, the School Nutrition Fund, the Before and After School Program Fund, the Preschool Program Fund, the Spart Mart Fund and the Stone Academy Fund. The District also has one Internal Service Fund accounting for flex benefits of the District.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund - The District accounts for revenues and expenses of activities of groups associated with the District that fundraise for the purpose of awarding scholarships to students.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 34,998,293	15,415,674	745,482	653,210	35,743,775	16,068,884	122.44%
Capital assets	21,272,692	20,364,730	91,755	92,278	21,364,447	20,457,008	4.44%
Total assets	56,270,985	35,780,404	837,237	745,488	57,108,222	36,525,892	56.35%
Deferred outflows of resources	1,102,572	-	54,088	-	1,156,660	-	100.00%
Long-term liabilities	32,376,879	10,172,827	243,836	46,412	32,620,715	10,219,239	219.21%
Other liabilities	1,302,322	646,871	24,927	23,331	1,327,249	670,202	98.04%
Total liabilities	33,679,201	10,819,698	268,763	69,743	33,947,964	10,889,441	211.75%
Deferred inflows of resources	8,077,208	6,143,745	83,661	-	8,160,869	6,143,745	32.83%
Net position:							
Net investment in capital assets	12,543,573	11,231,730	91,755	92,278	12,635,328	11,324,008	11.58%
Restricted	5,419,442	4,314,942	-	-	5,419,442	4,314,942	25.60%
Unrestricted	(2,345,867)	3,270,289	447,146	583,467	(1,898,721)	3,853,756	-149.27%
Total net position	\$ 15,617,148	18,816,961	538,901	675,745	16,156,049	19,492,706	-17.12%

The District's combined net position decreased by 17.12%, or \$3,336,657, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 25.60% or \$1,104,500 from the prior year. The increase in restricted fund balance is due in part to the increase in fund balance of the Debt Service Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$5,752,477 or 149.27%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$5,466,554 and \$266,592, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
	Revenues:						
Program revenues:							
Charges for service	\$ 1,783,191	1,750,341	994,238	951,779	2,777,429	2,702,120	2.79%
Operating grants and contributions and restricted interest	1,068,674	1,103,482	162,684	148,502	1,231,358	1,251,984	-1.65%
Capital grants and contributions and restricted interest	-	7,968	-	-	-	7,968	-100.00%
General revenues:							
Property tax	6,150,436	5,816,346	-	-	6,150,436	5,816,346	5.74%
Income surtax	623,276	720,869	-	-	623,276	720,869	-13.54%
Statewide sales, services and use tax	1,195,131	1,095,117	-	-	1,195,131	1,095,117	9.13%
Unrestricted state grants	6,249,299	6,090,205	-	-	6,249,299	6,090,205	2.61%
Nonspecific program federal grants	12,321	-	-	-	12,321	-	100.00%
Unrestricted investment earnings	31,617	15,995	1,529	1,259	33,146	17,254	92.11%
Other	67,848	59,320	19,568	100	87,416	59,420	47.12%
Total revenues	17,181,793	16,659,643	1,178,019	1,101,640	18,359,812	17,761,283	3.37%
Program expenses:							
Instructional	9,551,952	9,014,574	65,527	62,720	9,617,479	9,077,294	5.95%
Support services	3,954,885	4,558,043	41,424	21,568	3,996,309	4,579,611	-12.74%
Non-instructional programs	-	-	965,779	914,661	965,779	914,661	5.59%
Other expenses	1,611,232	1,449,351	-	-	1,611,232	1,449,351	11.17%
Total expenses	15,118,069	15,021,968	1,072,730	998,949	16,190,799	16,020,917	1.06%
Excess of revenues over expenses	2,063,724	1,637,675	105,289	102,691	2,169,013	1,740,366	24.63%
Transfers	-	(41,787)	-	41,787	-	-	0.00%
Change in net position	2,063,724	1,595,888	105,289	144,478	2,169,013	1,740,366	24.63%
Net position beginning of year, as restated	13,553,424	17,221,073	433,612	531,267	13,987,036	17,752,340	-21.21%
Net position end of year	\$ 15,617,148	18,816,961	538,901	675,745	16,156,049	19,492,706	-17.12%

In fiscal year 2015, property tax, income surtax and unrestricted state grants account for 75.80% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 98.21% of business type activities revenue. The District's total revenues were approximately \$18.36 million of which approximately \$17.18 million was for governmental activities and approximately \$1.18 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.37% increase in revenues and a 1.06% increase in expenses. Property tax increased \$334,090 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits in both the instructional and support services functions.

Governmental Activities

Revenues for governmental activities were \$17,181,793 and expenses were \$15,118,069 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
	Instruction	\$ 9,551,952	9,014,574	5.96%	7,247,956	6,670,252
Support services	3,954,885	4,558,043	-13.23%	3,913,717	4,527,408	-13.56%
Other expenses	1,611,232	1,449,351	11.17%	1,104,531	962,517	14.75%
Totals	\$ 15,118,069	15,021,968	0.64%	12,266,204	12,160,177	0.87%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,783,191.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,068,674.
- The net cost of governmental activities was financed with \$6,150,436 in property tax, \$623,276 in income surtax, \$1,195,131 in statewide sales, services and use tax, \$6,249,299 in unrestricted state grants, \$12,321 in nonspecific program federal grants, \$31,617 in interest income and \$67,848 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$1,178,019, representing a 6.93% increase from the prior year, while expenses totaled \$1,072,730 a 7.39% increase over the prior year. The District's business type activities are the School Nutrition Fund, Before and After School Program Fund, the Preschool Program Fund, the Spart Mart Fund and the Stone Academy Fund. Revenues of these activities were mostly comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Solon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$26,949,263, above last year's ending fund balances of \$8,098,382. The primary reason for the increase in combined fund balances is due to the District issuing \$19,290,000 of general obligation bonds to be used on District construction projects and building upgrades. These bonds will be spent down as costs on the projects is incurred.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax and state source revenues resulted in an increase in revenues. The increase in expenditures in the instructional and support services functional areas led to the increase in expenditures. The increase in revenues was not enough to outpace the increase in expenditures resulting in a decrease in fund balance from \$3,502,235 at June 30, 2014 to \$2,885,711 at June 30, 2015. Although there was a decrease in fund balance, this was a conscious effort, per direction from the Board of Education to stabilize our financial ratios the Board has set.
- The Capital Projects Fund balance increased from \$1,947,336 at June 30, 2014 to \$20,499,069 at June 30, 2015. The increase in fund balance for the Capital Projects Fund is primarily due to issuance of \$19,290,000 in general obligation bonds during the year which will be used to fund District construction projects. These bonds will be spent down as costs on the projects are incurred by the District is subsequent fiscal years.
- The Debt Service Fund increased from \$1,190,580 at June 30, 2014 to \$2,773,582 at June 30, 2015. The increase in fund balance can be attributed to the increase in local tax collected as compared to the previous year. The District also did a pre-levy in fiscal year 2015. The pre-levies issued by the District in fiscal years 2013 and 2014 are also a contributing factors to the Debt Service fund balance.

Proprietary Fund Highlights

During fiscal year 2015, the School Nutrition Fund net position increased from a restated net position of \$93,016 at July 1, 2014 to \$200,014 at June 30, 2015, representing an increase of 115.74%. Most of the increase in net position can be attributed to an increase in charges for service revenues received as compared to the prior year. As the District looks forward to the 2016 fiscal year, it is recognized that there must be a continued effort to monitor both revenue and expenditures to ensure the School Nutrition fund remains self-supporting.

The Before and After School Program Fund's net position increased from a restated net position of \$262,367 at July 1, 2014 to \$260,162 at June 30, 2015, representing a decrease of 0.84%. The primary reason for this decrease in net position is due to an increase in salary and benefit expenditures incurred compared to the prior year.

Although the District's Preschool Program had increased revenues and increased expenses as compared to the previous year, the fund still saw an increase in net position. Revenues received during the year outpaced expenses to ensure the gain in fund balance. Overall, net position increased from a restated net position of \$76,852 at July 1, 2014 to \$77,828 at June 30, 2015, representing an increase of 1.27%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Solon Community School District amended its budget one time to reflect additional expenditures associated with increased staffing levels, maintenance expenses, and special education costs as well as school nutrition and before and after school expenses, and building construction costs.

The District's revenues were \$163,297 more than budgeted revenues, a variance of 0.90%. The most significant variance resulted from the District receiving more in state sources than what was originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$21,364,447, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.44% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$891,391.

The original cost of the District's capital assets was \$32,678,287. Governmental funds account for \$32,398,780 with the remainder of \$279,507 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,768,769 at June 30, 2015 as compared to \$34,441 at June 30, 2014. The primary reason for the increase in construction in progress during the year is due cost incurred with the construction of the new middle school building, renovation of the current high school and addition of a performing arts center. These projects will be reclassified in the District's capital asset listing upon completion.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 1,047,404	1,047,404	-	-	1,047,404	1,047,404	0.00%
Construction in progress	1,768,769	34,441	-	-	1,768,769	34,441	5035.65%
Buildings	13,458,875	13,881,374	-	-	13,458,875	13,881,374	-3.04%
Land improvements	4,463,514	4,743,135	-	-	4,463,514	4,743,135	-5.90%
Machinery and equipment	534,130	658,376	91,755	92,278	625,885	750,654	-16.62%
Total	\$ 21,272,692	20,364,730	91,755	92,278	21,364,447	20,457,008	4.44%

Long-Term Debt

At June 30, 2015, the District had \$32,620,715 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds of \$22,395,000 at June 30, 2015 payable from the Debt Service Fund. Principal of \$885,000 is due during fiscal year 2016.

The District had outstanding Revenue Bonds of \$4,148,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Principal of \$720,000 is due during fiscal year 2016.

The District had outstanding Termination Benefits of \$364,687 payable from the Special Revenue, Management Levy Fund at June 30, 2015. \$188,047 is payable during fiscal year 2016.

The District has Compensated Absences payable of \$44,885 at June 30, 2015.

The District has a Net Pension Liability of \$4,717,652 at June 30, 2015. Governmental activities accounted for \$4,498,281 of the total while business type activities accounted for \$219,371.

The District has a Net OPEB liability of \$410,491 as of June 30, 2015. Governmental activities accounted for \$386,026 while business type activities accounted for \$24,465.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014 (Not Restated)	2014-15
General Obligation Bonds	\$ 22,935,000	4,280,000	-	-	22,935,000	4,280,000	435.86%
Revenue Bonds	4,148,000	4,853,000	-	-	4,148,000	4,853,000	-14.53%
Termination Benefits	364,687	454,841	-	-	364,687	454,841	-19.82%
Compensated Absences	44,885	35,601	-	-	44,885	35,601	26.08%
Net Pension Liability	4,498,281	-	219,371	-	4,717,652	-	100.00%
Net OPEB Liability	386,026	549,385	24,465	46,412	410,491	595,797	-31.10%
Total	\$ 32,376,879	10,172,827	243,836	46,412	32,620,715	10,219,239	219.21%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The supplemental state assistance (formerly Allowable Growth) for the upcoming fiscal year 2016 was set at 1.25%. This funding is not sufficient to sustain current staffing levels. With the legislature's hesitancy to fully fund and increase funding, the District remains vigilant in efficiently using all resources available as well as researching other areas of resources. Additionally, the District was unable to utilize the cash reserve levy for FY 2016. Based on FY 2015 data, the District will, however, be able to utilize cash reserve levy for the fiscal year 2017 aid/levy.

-
- As with many Districts, Solon continues to see an increase in costs associated with the special instructional services. The District will continue to monitor the services while exploring avenues to reduce continued deficit spending.
 - In September 2015, the voters of the District approved a \$25.5 million GO bond referendum. The funds are being used to build a new middle school, renovations to the current high school and a new performing arts center. As the district transitions into the new middle school (FY 18), the District will then have 4 attendance centers (Lakeview Elementary, current middle school, new middle school and high school). At the current time, based on limited capacity, the District has closed open enrollment in various grade levels. With additional space, the District could, potentially, discuss changing the limits on open enrollment. Open enrollment would affect both the expenditures of the District (should any additional personnel be needed due to increased class sizes) and revenue (open enrollment tuition is paid by the resident district to the receiving district on a quarterly basis). The District continues to see a net increase annually for students open enrolling into Solon versus those students opting to open enroll out.
 - Solon was a recipient of TLC funding beginning with fiscal year 2016. The first year of funding, provided by the State, is recognized as state revenue, however, noted as part of miscellaneous income. In year two and all following years, the funds are considered state revenue but are recognized as categorical and part of State Aid (not miscellaneous income). Solon will be using TLC to fund the following positions: Mentor Coach (1), Instructional Coaches (3), Model Teachers (8), Professional Partners (19) and various other expenditures relating to professional development.
 - Despite expenditures outpacing revenues in the General Fund, the District was able to maintain healthy financial ratios. The Board of Education set parameters/benchmarks in three (3) financial ratios. The ratios that the Board has set are solvency, salary/benefits as percentage of General Fund expenditures and unspent balance as a percent of total authorized budget. The Board of Education recognized that the expenditures would exceed revenue for the fiscal year and expected that would impact the financial ratios. However, despite this impact, the ratios were remained just slightly above the ranges set by the Board. At the end of FY 2016 the District anticipates that expenditures will exceed revenue and the ratios will be impacted. At this point, factoring in expenditures outpacing revenue for a few years, as well as lack of sufficient funding for the state, the District will continue to monitor its fiscal position and make changes as appropriate to provide educational services yet maintain the fiscal integrity of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's School Business Official/Treasurer, Solon Community School District, 301 S Iowa Street, Solon, Iowa, 52333.

Solon Community School District

BASIC FINANCIAL STATEMENTS

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 1,827,612	-	1,827,612
Other	25,720,570	714,862	26,435,432
Receivables:			
Property tax:			
Delinquent	29,348	-	29,348
Succeeding year	6,361,693	-	6,361,693
Income surtax	575,749	-	575,749
Accounts	6,727	20,362	27,089
Inventories	-	10,258	10,258
Due from other governments	476,594	-	476,594
Capital assets, net of accumulated depreciation	21,272,692	91,755	21,364,447
TOTAL ASSETS	56,270,985	837,237	57,108,222
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred inflows	1,102,572	54,088	1,156,660
LIABILITIES			
Accounts payable	733,398	9,324	742,722
Salaries and benefits payable	327,662	-	327,662
Advances from grantors	829	-	829
Accrued interest payable	240,433	-	240,433
Unearned revenue	-	15,603	15,603
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	885,000	-	885,000
Revenue bonds payable	720,000	-	720,000
Termination benefits payable	188,047	-	188,047
Compensated absences payable	44,885	-	44,885
Portion due after one year:			
General obligation bonds payable	22,050,000	-	22,050,000
Revenue bonds payable	3,428,000	-	3,428,000
Termination benefits payable	176,640	-	176,640
Net pension liability	4,498,281	219,371	4,717,652
Net OPEB liability	386,026	24,465	410,491
TOTAL LIABILITIES	33,679,201	268,763	33,947,964
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,361,693	-	6,361,693
Pension related deferred inflows	1,715,515	83,661	1,799,176
TOTAL DEFERRED INFLOWS OF RESOURCES	8,077,208	83,661	8,160,869
NET POSITION			
Net investment in capital assets	12,543,573	91,755	12,635,328
Restricted for:			
Categorical funding	314,141	-	314,141
Debt service	3,128,220	-	3,128,220
Management levy purposes	266,113	-	266,113
Student activities	160,851	-	160,851
School infrastructure	960,337	-	960,337
Physical plant and equipment	589,780	-	589,780
Unrestricted	(2,345,867)	447,146	(1,898,721)
TOTAL NET POSITION	\$ 15,617,148	538,901	16,156,049

SEE NOTES TO FINANCIAL STATEMENTS.

**SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 6,438,984	1,045,678	48,708	(5,344,598)	-	(5,344,598)
Special	1,666,894	305,983	154,969	(1,205,942)	-	(1,205,942)
Other	1,446,074	413,881	334,777	(697,416)	-	(697,416)
	<u>9,551,952</u>	<u>1,765,542</u>	<u>538,454</u>	<u>(7,247,956)</u>	<u>-</u>	<u>(7,247,956)</u>
Support services:						
Student	343,167	-	-	(343,167)	-	(343,167)
Instructional staff	503,189	-	17,361	(485,828)	-	(485,828)
Administration	1,058,905	-	-	(1,058,905)	-	(1,058,905)
Operation and maintenance of plant	1,444,846	-	-	(1,444,846)	-	(1,444,846)
Transportation	604,778	17,649	6,158	(580,971)	-	(580,971)
	<u>3,954,885</u>	<u>17,649</u>	<u>23,519</u>	<u>(3,913,717)</u>	<u>-</u>	<u>(3,913,717)</u>
Long-term debt interest	391,621	-	-	(391,621)	-	(391,621)
Other expenses:						
AEA flowthrough	506,701	-	506,701	-	-	-
Depreciation(unallocated)*	712,910	-	-	(712,910)	-	(712,910)
	<u>1,219,611</u>	<u>-</u>	<u>506,701</u>	<u>(712,910)</u>	<u>-</u>	<u>(712,910)</u>
Total governmental activities	15,118,069	1,783,191	1,068,674	(12,266,204)	-	(12,266,204)
Business type activities:						
Instruction:						
Other	65,527	67,394	-	-	1,867	1,867
Support services:						
Administration	21,520	-	-	-	(21,520)	(21,520)
Operation and maintenance of plant	19,904	-	-	-	(19,904)	(19,904)
Total support services	41,424	-	-	-	(39,557)	(39,557)
Non-instructional programs:						
Food service operations	583,609	535,740	162,684	-	114,815	114,815
Other enterprise operations	189	263	-	-	74	74
Community service operations	381,981	390,841	-	-	8,860	8,860
Total non-instructional programs	<u>965,779</u>	<u>926,844</u>	<u>162,684</u>	<u>-</u>	<u>123,749</u>	<u>123,749</u>
Total business type activities	<u>1,072,730</u>	<u>994,238</u>	<u>162,684</u>	<u>-</u>	<u>84,192</u>	<u>84,192</u>
Total	\$ <u>16,190,799</u>	<u>2,777,429</u>	<u>1,231,358</u>	<u>(12,266,204)</u>	<u>84,192</u>	<u>(12,182,012)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,908,730	-	3,908,730
Debt service				1,587,222	-	1,587,222
Capital outlay				654,484	-	654,484
Income surtax				623,276	-	623,276
Statewide sales, services and use tax				1,195,131	-	1,195,131
Unrestricted state grants				6,249,299	-	6,249,299
Nonspecific program federal grants				12,321	-	12,321
Unrestricted investment earnings				31,617	1,529	33,146
Other				67,848	19,568	87,416
Total general revenues				<u>14,329,928</u>	<u>21,097</u>	<u>14,351,025</u>
Change in net position				2,063,724	105,289	2,169,013
Net position beginning of year, as restated				<u>13,553,424</u>	<u>433,612</u>	<u>13,987,036</u>
Net position end of year				<u>\$ 15,617,148</u>	<u>538,901</u>	<u>16,156,049</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

**SOLON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ -	-	1,827,612	-	1,827,612
Other	3,046,297	20,875,490	938,351	810,733	25,670,871
Receivables:					
Property tax:					
Delinquent	16,278	3,142	7,619	2,309	29,348
Succeeding year	3,575,129	680,771	1,650,795	454,998	6,361,693
Income surtax	575,749	-	-	-	575,749
Accounts	6,608	-	-	119	6,727
Due from other governments	291,447	185,147	-	-	476,594
TOTAL ASSETS	\$ 7,511,508	21,744,550	4,424,377	1,268,159	34,948,594
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 146,428	564,710	-	22,260	733,398
Salaries and benefits payable	327,662	-	-	-	327,662
Advances from grantors	829	-	-	-	829
Total liabilities	474,919	564,710	-	22,260	1,061,889
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,575,129	680,771	1,650,795	454,998	6,361,693
Income surtax	575,749	-	-	-	575,749
Total deferred inflows of resources	4,150,878	680,771	1,650,795	454,998	6,937,442
Fund balances:					
Restricted for:					
Categorical funding	314,141	-	-	-	314,141
Debt service	-	595,071	2,773,582	-	3,368,653
Management levy purposes	-	-	-	630,800	630,800
Student activities	-	-	-	160,851	160,851
School infrastructure	-	19,314,218	-	-	19,314,218
Physical plant and equipment	-	589,780	-	-	589,780
Assigned	7,539	-	-	-	7,539
Unassigned:					
General	2,564,031	-	-	-	2,564,031
Student activities	-	-	-	(750)	(750)
Total fund balances	2,885,711	20,499,069	2,773,582	790,901	26,949,263
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,511,508	21,744,550	4,424,377	1,268,159	34,948,594

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances of governmental funds(page 22)	\$	26,949,263
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		21,272,692
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		575,749
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		49,699
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(240,433)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,102,572	
Deferred inflows of resources	<u>(1,715,515)</u>	(612,943)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, compensated absences payable net pension liability and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(32,376,879)</u>
Net position of governmental activities(page 20)	\$	<u>15,617,148</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,022,230	654,484	1,587,222	485,611	6,749,547
Tuition	1,263,637	-	-	-	1,263,637
Other	203,995	13,713	9,321	446,753	673,782
State sources	6,957,589	1,197,790	6,448	1,947	8,163,774
Federal sources	306,888	-	-	-	306,888
Total revenues	<u>12,754,339</u>	<u>1,865,987</u>	<u>1,602,991</u>	<u>934,311</u>	<u>17,157,628</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,231,939	218,886	-	163,534	6,614,359
Special	1,664,599	-	-	11,096	1,675,695
Other	1,011,420	-	-	448,861	1,460,281
	<u>8,907,958</u>	<u>218,886</u>	<u>-</u>	<u>623,491</u>	<u>9,750,335</u>
Support services:					
Student	319,430	-	-	-	319,430
Instructional staff	447,030	-	-	21,530	468,560
Administration	1,485,956	122,202	-	29,601	1,637,759
Operation and maintenance of plant	1,235,981	-	-	191,248	1,427,229
Transportation	467,807	-	-	15,771	483,578
	<u>3,956,204</u>	<u>122,202</u>	<u>-</u>	<u>258,150</u>	<u>4,336,556</u>
Capital outlay	-	2,002,721	-	-	2,002,721
Long-term debt:					
Principal	-	-	1,340,000	-	1,340,000
Interest and fiscal charges	-	-	230,454	-	230,454
	<u>-</u>	<u>-</u>	<u>1,570,454</u>	<u>-</u>	<u>1,570,454</u>
Other expenditures:					
AEA flowthrough	506,701	-	-	-	506,701
TOTAL EXPENDITURES	<u>13,370,863</u>	<u>2,343,809</u>	<u>1,570,454</u>	<u>881,641</u>	<u>18,166,767</u>
Excess(Deficiency) of revenues over(under) expenditures	(616,524)	(477,822)	32,537	52,670	(1,009,139)
Other financing sources(uses):					
Transfer in	-	-	830,465	-	830,465
Transfer out	-	(830,465)	-	-	(830,465)
Sale of equipment	-	16,336	-	-	16,336
General obligation bond proceeds	-	19,290,000	-	-	19,290,000
Premium on general obligation bond issuances	-	704,666	-	-	704,666
Discount on general obligation bond issuances	-	(150,982)	-	-	(150,982)
Total other financing sources(uses)	<u>-</u>	<u>19,029,555</u>	<u>830,465</u>	<u>-</u>	<u>19,860,020</u>
Change in fund balances	(616,524)	18,551,733	863,002	52,670	18,850,881
Fund balances beginning of year	<u>3,502,235</u>	<u>1,947,336</u>	<u>1,910,580</u>	<u>738,231</u>	<u>8,098,382</u>
Fund balances end of year	<u>\$ 2,885,711</u>	<u>20,499,069</u>	<u>2,773,582</u>	<u>790,901</u>	<u>26,949,263</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds(page 24) \$ 18,850,881

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 1,785,345	
Depreciation expense	(877,383)	907,962

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments are as follows:

Issued	\$ (19,290,000)	
Repaid	1,340,000	(17,950,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (161,167)

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 24,165

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. (4,659)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 722,915

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	\$ 90,154	
Compensated absences	(9,284)	
Pension expense	(367,585)	
Other postemployment benefits	(39,658)	(326,373)

Change in net position of governmental activities(page 21) **\$ 2,063,724**

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities: Internal Service Fund
	School Nutrition	Before & After School Program	Preschool Program	Spart Mart	Stone Academy		
ASSETS							
Current assets:							
Cash and pooled investments	\$ 266,828	338,914	108,136	615	369	714,862	49,699
Accounts receivable	273	19,849	240	-	-	20,362	-
Inventories	10,258	-	-	-	-	10,258	-
Total current assets	<u>277,359</u>	<u>358,763</u>	<u>108,376</u>	<u>615</u>	<u>369</u>	<u>745,482</u>	<u>49,699</u>
Noncurrent assets:							
Capital assets, net of accumulated depreciation	91,755	-	-	-	-	91,755	-
TOTAL ASSETS	<u>369,114</u>	<u>358,763</u>	<u>108,376</u>	<u>615</u>	<u>369</u>	<u>837,237</u>	<u>49,699</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension related deferred outflows	26,797	22,043	5,248	-	-	54,088	-
LIABILITIES							
Current liabilities:							
Accounts payable	143	9,094	-	-	87	9,324	-
Unearned revenue	15,603	-	-	-	-	15,603	-
Total current liabilities	<u>15,746</u>	<u>9,094</u>	<u>-</u>	<u>-</u>	<u>87</u>	<u>24,927</u>	<u>-</u>
Noncurrent liabilities:							
Net pension liability	118,885	77,841	22,645	-	-	219,371	-
Net OPEB liability	15,927	4,023	4,515	-	-	24,465	-
Total noncurrent liabilities	<u>134,812</u>	<u>81,864</u>	<u>27,160</u>	<u>-</u>	<u>-</u>	<u>243,836</u>	<u>-</u>
TOTAL LIABILITIES	<u>150,558</u>	<u>90,958</u>	<u>27,160</u>	<u>-</u>	<u>87</u>	<u>268,763</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Pension related deferred inflows	45,339	29,686	8,636	-	-	83,661	-
NET POSITION							
Net investment in capital assets	91,755	-	-	-	-	91,755	-
Unrestricted	108,259	260,162	77,828	615	282	447,146	49,699
TOTAL NET POSITION	<u>\$ 200,014</u>	<u>260,162</u>	<u>77,828</u>	<u>615</u>	<u>282</u>	<u>538,901</u>	<u>49,699</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental
	School Nutrition	Before & After School Program	Preschool Program	Spart Mart	Stone Academy		Activities: Internal Service Fund
OPERATING REVENUE:							
Local sources:							
Charges for service	\$ 535,740	390,841	67,394	263	-	994,238	-
Miscellaneous	18,653	773	142	-	-	19,568	133,042
TOTAL OPERATING REVENUES	554,393	391,614	67,536	263	-	1,013,806	133,042
OPERATING EXPENSES:							
Instruction:							
Other:							
Salaries	-	-	38,559	-	-	38,559	-
Benefits	-	-	15,611	-	-	15,611	-
Services	-	-	107	-	-	107	-
Supplies	-	-	11,250	-	-	11,250	-
	-	-	65,527	-	-	65,527	-
Support services:							
Administration:							
Benefits	-	-	-	-	-	-	137,701
Services	1,500	3,557	-	-	-	5,057	-
Other	11,501	3,688	1,274	-	-	16,463	-
	13,001	7,245	1,274	-	-	21,520	137,701
Operation and maintenance of plant:							
Services	18,127	1,223	-	-	-	19,350	-
Supplies	-	-	-	-	554	554	-
	18,127	1,223	-	-	554	19,904	-
Total support services	31,128	8,468	66,801	-	554	41,424	137,701
Non-instructional programs:							
Food service operations:							
Salaries	188,872	-	-	-	-	188,872	-
Benefits	63,689	-	-	-	-	63,689	-
Services	569	-	-	-	-	569	-
Supplies	311,055	4,139	-	-	-	315,194	-
Other	1,277	-	-	-	-	1,277	-
Depreciation	14,008	-	-	-	-	14,008	-
	579,470	4,139	-	-	-	583,609	-
Other enterprise operations:							
Supplies	-	-	-	189	-	189	-
Community service operations:							
Salaries	-	278,943	-	-	-	278,943	-
Benefits	-	35,456	-	-	-	35,456	-
Services	-	16,587	-	-	-	16,587	-
Supplies	-	49,794	-	-	-	49,794	-
Other	-	1,201	-	-	-	1,201	-
	-	381,981	-	-	-	381,981	-
Total non-instructional programs	579,470	386,120	-	189	-	965,779	-
TOTAL OPERATING EXPENSES	610,598	394,588	66,801	189	554	1,072,730	137,701
OPERATING INCOME(LOSS)	(56,205)	(2,974)	735	74	(554)	(58,924)	(4,659)
NON-OPERATING REVENUES:							
State sources	5,216	-	-	-	-	5,216	-
Federal sources	157,468	-	-	-	-	157,468	-
Interest income	519	769	241	-	-	1,529	-
TOTAL NON-OPERATING REVENUES	163,203	769	241	-	-	164,213	-
Change in net position	106,998	(2,205)	976	74	(554)	105,289	(4,659)
Net position beginning of year, as restated	93,016	262,367	76,852	541	836	433,612	54,358
Net position end of year	\$ 200,014	260,162	77,828	615	282	538,901	49,699

SEE NOTES TO FINANCIAL STATEMENTS.

**SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities: Internal Service Fund
	School Nutrition	Before & After School Program	Preschool Program	Spart Mart	Stone Academy		
Cash flows from operating activities:							
Cash received from operating activities	\$ 534,076	389,482	67,164	263	-	990,985	-
Cash received from miscellaneous operating activities	18,653	773	142	-	-	19,568	133,042
Cash payments to employees for services	(257,973)	(323,099)	(55,194)	-	-	(636,266)	(137,701)
Cash payments to suppliers for goods or services	(295,515)	(77,129)	(12,631)	(189)	(467)	(385,931)	-
Net cash provided by(used in) operating activities	(759)	(9,973)	(519)	74	(467)	(11,644)	(4,659)
Cash flows from non-capital financing activities:							
Borrowings(repaysments) from(to) other funds	485	(678)	(7)	-	-	(200)	-
State grants received	5,216	-	-	-	-	5,216	-
Federal grants received	113,545	-	-	-	-	113,545	-
Net cash provided by(used in) non-capital financing activities	119,246	(678)	(7)	-	-	118,561	-
Cash flows from capital financing activities:							
Acquisition of capital assets	(13,485)	-	-	-	-	(13,485)	-
Cash flows from investing activities:							
Interest on investment	519	769	241	-	-	3,058	-
Net increase(decrease) in cash and pooled investments	105,521	(9,882)	(285)	74	(467)	94,961	(4,659)
Cash and pooled investments beginning of year	161,307	348,796	108,421	541	836	619,901	54,358
Cash and pooled investments end of year	\$ 266,828	338,914	108,136	615	369	714,862	49,699
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:							
Operating income(loss)	\$ (56,205)	(2,974)	735	74	(554)	(58,924)	(4,659)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:							
Commodities consumed	44,437	-	-	-	-	44,437	-
Depreciation	14,008	-	-	-	-	14,008	-
Decrease in inventories	4,207	-	-	-	-	4,207	-
Increase in accounts receivable	(243)	(1,359)	(230)	-	-	(1,832)	-
(Increase)Decrease in accounts payable	(130)	3,060	-	-	87	3,017	-
Decrease in unearned revenues	(1,421)	-	-	-	-	(1,421)	-
Decrease in net pension liability	(43,107)	(28,225)	(8,211)	-	-	(79,543)	-
Increase in deferred outflows of resources	(9,280)	(10,574)	(1,912)	-	-	(21,766)	-
Increase in deferred inflows of resources	45,339	29,686	8,636	-	-	83,661	-
Increase in other postemployment benefits	1,636	413	463	-	-	2,512	-
Net cash provided by(used in) operating activities	\$ (759)	(9,973)	(519)	74	(467)	(11,644)	(4,659)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$44,437.

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,185
LIABILITIES	
Accounts payable	<u>500</u>
NET POSITION	
Held in trust for scholarships	<u><u>\$ 685</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Contributions	\$ 850
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	1,100
Change in net position	(250)
Net position beginning of year	935
Net position end of year	\$ 685

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Solon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve along with a before and after program as well as a preschool program. The geographic area served primarily includes the City of Solon, Iowa, and the predominate agricultural territory of Johnson and Linn counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Solon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Solon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Johnson and Linn County Assessors' Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Paid from the fund are general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is used to account for all resources used for the payment of principal and interest on the District's general obligation and revenue bond indebtedness.

The District's also reports six nonmajor proprietary funds (Enterprise, School Nutrition Fund, the Before and After Programs Fund, the Preschool Program Fund, the Spart Mart Fund and the Stone Academy Fund) and the Internal Service Fund.

- 1) The Nutrition Fund is used to account for the food service operations of the District.
- 2) The Before & After School Programs Fund is used to account for the before and after school daycare operations of the District.
- 3) The Preschool Programs Fund is used to account for the preschool operations of the District.
- 4) The Spart Mart Fund is used to account for the operations of the student store operations.
- 5) The Stone Academy Fund is used to account for the operations of the historic building.

The Internal Service Fund is used to account for the flex spending benefits received by District employees.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District which benefit individuals through various activities of groups associated with the District that fundraise for the purpose of scholarships to students.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most District funds are pooled and invested at local banks. Debt service accounts at Banker's Trust N.A. are used to make payments on the District's revenue and general obligation bonds.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	4-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences - The compensated absences liability has been computed based on 1/10th of the current substitute teacher daily pay rate(\$110/day) in effect for the year ended June 30, 2015. The per day rate for the year ended June 30, 2015, was \$11/day for every unused sick leave day up to a maximum of 100 days per employee for employees that have been employed by the District for fourteen or more years. The cost of the sick leave payments expected to be liquidated currently is attributable to the governmental activities and will be primarily paid by the General Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments

Fund Equity - In the governmental fund financial statements, Fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for various resale accounts and smaller projects that are not able to be accounted for in other governmental funds.

Unassigned - All amounts not included in the preceding classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts that are restricted or assigned. At June 30, 2015, the District has unassigned fund balances in the General Fund and the Student Activity Fund.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District’s deposits at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in U.S. Treasury Securities which are stated at the fair value of \$1,827,612. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Note 3. Interfund Transfers

The detail of the interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 830,465</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for payments made on the District’s revenue bond indebtedness.

Note 4. Categorical Funding

The District’s ending restricted balances for categorical funding as of June 30, 2015 are broken out by the following programs:

Program	Amount
Gifted and talented programs	\$ 82,910
Four-year old preschool state aid	199,648
Successful progression for early readers	273
Professional development for model core curriculum	10,573
Professional development	20,737
Total	<u>\$ 314,141</u>

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,047,404	-	-	1,047,404
Construction in progress	34,441	1,734,328	-	1,768,769
Total capital assets not being depreciated	<u>1,081,845</u>	<u>1,734,328</u>	<u>-</u>	<u>2,816,173</u>
Capital assets being depreciated:				
Buildings	21,464,411	10,790	-	21,475,201
Land improvements	5,801,671	-	-	5,801,671
Machinery and equipment	2,265,508	40,227	-	2,305,735
Total capital assets being depreciated	<u>29,531,590</u>	<u>51,017</u>	<u>-</u>	<u>29,582,607</u>
Less accumulated depreciation for:				
Buildings	7,583,037	433,289	-	8,016,326
Land improvements	1,058,536	279,621	-	1,338,157
Machinery and equipment	1,607,132	164,473	-	1,771,605
Total accumulated depreciation	<u>10,248,705</u>	<u>877,383</u>	<u>-</u>	<u>11,126,088</u>
Total capital assets being depreciated, net	<u>19,282,885</u>	<u>(826,366)</u>	<u>-</u>	<u>18,456,519</u>
Governmental activities capital assets, net	<u>\$ 20,364,730</u>	<u>907,962</u>	<u>-</u>	<u>21,272,692</u>
Business type activities:				
Machinery and equipment	\$ 266,022	13,485	-	279,507
Less accumulated depreciation	173,744	14,008	-	187,752
Business type activities capital assets, net	<u>\$ 92,278</u>	<u>(523)</u>	<u>-</u>	<u>91,755</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	12,282
Special				3,263
Other				8,461
Support services:				
Instructional staff				2,732
Administration				11,424
Operation and maintenance of plant				24,329
Transportation				<u>101,982</u>
Unallocated depreciation				<u>164,473</u>
Total governmental activities depreciation expense			\$	<u>877,383</u>
Business type activities:				
Food service operations			\$	<u>14,008</u>

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 4,280,000	19,290,000	635,000	22,935,000	885,000
Revenue Bonds	4,853,000	-	705,000	4,148,000	720,000
Termination Benefits	454,841	129,180	219,334	364,687	188,047
Compensated Absences	35,061	44,885	35,061	44,885	44,885
Net Pension Liability	6,129,336	-	1,631,055	4,498,281	-
Net OPEB Liability	346,368	39,658	-	386,026	-
Total	\$ 16,098,606	19,503,723	3,225,450	32,376,879	1,837,932
Business type activities:					
Net Pension Liability	\$ 298,914	-	79,543	219,371	-
Net OPEB Liability	21,953	2,512	-	24,465	-
Total	\$ 320,867	2,512	79,543	243,836	-

Revenue Bonds Payable

Detail of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated April 1, 2010			Bond issue dated April 25, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	2.30 %	\$ 720,000	51,142	2.48 %	-	48,062	\$ 720,000	99,204	819,204
2017	2.75	735,000	32,756	2.48	-	48,062	735,000	80,818	815,818
2018	3.00	755,000	11,325	2.48	-	48,062	755,000	59,387	814,387
2019	-	-	-	2.48	305,000	44,280	305,000	44,280	349,280
2020	-	-	-	2.48	310,000	36,654	310,000	36,654	346,654
2021-2024	-	-	-	2.48	1,323,000	66,602	1,323,000	66,602	1,389,602
Total		\$ 2,210,000	95,223		\$ 1,938,000	291,722	\$ 4,148,000	386,945	4,534,945

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,905,000 of bonds issued in April 2010 and \$1,938,000 of bonds issued in April 2012. The bonds were issued for the purpose of financing a portion of the costs of a remodeling project and improvements at Spartan Stadium. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 68% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,534,945. For the current year, \$705,000 of principal and \$114,535 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,195,131.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$590,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

General Obligation Bonds Payable

During the year ended June 30, 2012, the District approved an additional debt service levy tax to advance refund \$200,000 in principal of the May 1, 2011 general obligation bond issuance when the bond becomes callable. The District levied at a rate of \$2.61347 per \$1,000 taxable valuation for fiscal year 2013. The additional amount of the Debt Service tax levy totaled \$200,000 which has been placed in an irrevocable escrow account and has been invested in U.S. Government obligations which have been certified to be sufficient to pay \$200,000 in principal of the May 1, 2021 bond payment, and corresponding interest when the bond becomes callable on May 1, 2017. The District remains contingently liable in the remote possibility the account is insufficient to repay the refunding bonds.

During the year ended June 30, 2013, the District approved an additional debt service levy tax to advance refund \$785,000 in principal of the May 1, 2011 general obligation bond issuance when the bond becomes callable. The District levied at a rate of \$4.05000 per \$1,000 taxable valuation for fiscal year 2014. The additional amount of the Debt Service tax levy totaled \$785,000 which has been placed in an irrevocable escrow account and has been invested in U.S. Government obligations which have been certified to be sufficient to pay \$5,000 in principal of the May 1, 2021 bond payment, \$695,000 in principal of the May 1, 2020 bond payment and \$85,000 of the May 1, 2019 bond payment and corresponding interest when the bonds become callable on May 1, 2017. The District remains contingently liable in the remote possibility the account is insufficient to repay the refunding bonds.

During the year ended June 30, 2014, the District approved an additional debt service levy tax to advance refund \$840,000 in principal of the May 1, 2011 general obligation bond issuance when the bond becomes callable. The District levied at a rate of \$4.05000 per \$1,000 taxable valuation for fiscal year 2015. The additional amount of the Debt Service tax levy totaled \$840,000 which has been placed in an irrevocable escrow account and has been invested in U.S. Government obligations which have been certified to be sufficient to pay \$625,000 in principal of the May 1, 2019 bond payment, \$215,000 in principal of the May 1, 2018 bond payment and corresponding interest when the bonds become callable on May 1, 2017. The District remains contingently liable in the remote possibility the account is insufficient to repay the refunding bonds.

Detail of the District's June 30, 2015 general obligation bonded indebtedness is as follows:

Year	Bond Issue Dated May 1, 2011			Bond Issue Dated December 22, 2014			Bond Issue Dated June 4, 2015			Total			
	Ending June 30,	Interest Rates	Principal	Interest	Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016		2.50%	\$ 655,000	96,555	2.00%	\$ -	395,495	2.00%	\$ 230,000	262,345	\$ 885,000	754,395	1,639,395
2017		2.50	675,000	80,180	2.00	-	291,162	2.00	310,000	259,950	985,000	631,292	1,616,292
2018		2.50	705,000	63,305	2.00	-	291,163	2.00	345,000	253,750	1,050,000	608,218	1,658,218
2019		2.70	710,000	45,680	2.00	535,000	291,162	2.00	320,000	246,850	1,565,000	583,692	2,148,692
2020		2.90	695,000	26,510	2.00	520,000	280,463	2.00	355,000	240,450	1,570,000	547,423	2,117,423
2021-2025		3.10	205,000	6,355	3.00	2,675,000	1,194,312	2.00-3.00	2,105,000	1,072,600	4,985,000	2,273,267	7,258,267
2026-2030		-	-	-	3.00-3.25	3,095,000	765,938	3.00	2,385,000	751,350	5,480,000	1,517,288	6,997,288
2031-2035		-	-	-	3.25	2,860,000	236,113	3.00	3,555,000	373,200	6,415,000	609,313	7,024,313
Total			<u>\$ 3,645,000</u>	<u>\$ 318,585</u>		<u>\$ 9,685,000</u>	<u>\$ 3,745,808</u>		<u>\$ 9,605,000</u>	<u>\$ 3,460,495</u>	<u>\$ 22,935,000</u>	<u>7,524,888</u>	<u>30,459,888</u>

Termination Benefits

During fiscal year 2015 the District offered a one-time voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and have completed ten years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Employees may continue participation in the District's health insurance plan subjected to approval of the District's insurance carrier regardless of which of the following options for early retirement benefits is selected by the employee.

Fiscal year 2015 retirees were entitled to the following benefit:

Retirees shall receive a cash payment of \$40,000. The payment shall be paid over four equal installments with the first being on January 15th in the fiscal year following commencement of early retirement. The second payment will be made on or before July 15th in the next calendar year following commencement of early retirement. The remaining two payments will be made in the same two-payment interval (January and July of 2017).

At June 30, 2015 the District had early retirement obligation to three participants from the fiscal year 2015 offering and fourteen participants from prior year offerings totaling \$364,687. Early retirement benefits paid during the year ended June 30, 2015 totaled of \$219,334.

Note 7. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$758,448.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,717,652 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.116569 percent, which was an increase of 0.003036 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$385,510. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,272	\$ -
Changes of assumptions	208,201	-
Net difference between projected and actual earnings on pension plan investments	-	1,799,176
Changes in proportion and differences between District contributions and proportionate share of contributions	138,699	-
District contributions subsequent to the measurement date	758,488	-
Total	<u>\$ 1,156,660</u>	<u>\$ 1,799,176</u>

\$758,488 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (356,763)
2017	(356,763)
2018	(356,763)
2019	(356,763)
2020	26,048
	<u>\$ (1,401,004)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 8,913,870	\$ 4,717,652	\$ 1,175,608

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 92 active and 7 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 99,743
Interest on net OPEB obligation	9,208
Adjustment to annual required contribution	<u>(36,034)</u>
Annual OPEB cost (expense)	72,917
Contributions made	<u>(30,747)</u>
Increase in net OPEB obligation	42,170
Net OPEB obligation - beginning of year, as restated*	<u>368,321</u>
Net OPEB obligation - end of year	<u><u>\$ 410,491</u></u>

*The actuarial valuation dated July 1, 2014 was restated due to the removal of the explicit benefit stated in previous valuations. The explicit benefit included the option of health insurance covered by the District for early retirees. This early retirement option is no longer offered by the District as of June 30, 2015. (See Note 12)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 184,814	12.74%	\$ 418,583
2014	201,280	11.96%	595,797
2015	72,917	42.17%	410,491

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$561,007 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$561,007. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.014 million, and the ratio of the UAAL to the covered payroll was 11.2%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan is presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from information provided by the District. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$506,701 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

As of June 30, 2015, the District had entered into contracts totaling \$2,262,770 for the construction of a new middle school and performing arts center at the high school. Architectural fees and costs of contracts incurred as of June 30, 2015 totaled of \$1,768,769. The remaining costs on these projects will be paid as work on the projects progresses.

Note 12. Restatements for Accounting Change and OPEB Restatement

Accounting Change Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 18,816,961	\$ 675,745
Net pension liability at June 30, 2014	(6,129,336)	(298,914)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	662,782	32,322
Net position July 1, 2014, as restated	<u>\$ 13,350,407</u>	<u>\$ 409,153</u>

A more detailed breakout of the effects of the business type activities restatement on individual enterprise funds is as follows:

	Business Type Activities					
	School Nutrition	After School	Preschool Program	Spart Mart	Stone Academy	Total
Net position June 30, 2014, as previously reported	\$ 219,906	353,306	101,156	541	836	675,745
Net pension liability at June 30, 2014	(161,992)	(106,066)	(30,856)	-	-	(298,914)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	17,517	11,469	3,336	-	-	32,322
Net position July 1, 2014, as restated	<u>\$ 75,431</u>	<u>258,709</u>	<u>73,636</u>	<u>541</u>	<u>836</u>	<u>409,153</u>

Other Post-Employment Benefits (OPEB) Restatement

In previous fiscal years, Solon Community School District had offered as an early retirement option to District retirees of having the retiree's health insurance premiums paid by the District up until age 65 or the retiree became eligible for Medicare. This retirement benefit was included in previous actuarial valuations in accordance with GASB Statement No. 45 as an explicit benefit. Because Solon Community School District no longer offers this retirement plan the explicit portion of the Net OPEB liability has been removed from the restated beginning balance of the Net OPEB liability for Solon Community School District.

Details of the effects of this adjustment on the restated July 1, 2014 beginning balance of the Solon Community School District's enterprise funds and its governmental activities are as follows:

	Business Type Activities						Governmental Activities
	Before &						
	School Nutrition	After School	Preschool Program	Spart Mart	Stone Academy	Total	
Net OPEB liability at June 30, 2014	\$ (31,876)	(7,268)	(7,268)	-	-	(46,412)	(549,385)
Reclassification of portion of explicit benefit from July 1, 2014 actuarial valuation to a GASB 47 termination benefit	17,585	3,658	3,216	-	-	24,459	203,017
Net OPEB liability at July 1, 2014, as restated	\$ (14,291)	(3,610)	(4,052)	-	-	(21,953)	(346,368)

Total Restatement

The cumulative effect of the July 1, 2014 restatement in accordance with the implementation of GASB Statements No. 68 and No. 71 during fiscal year 2015 and the removal of the explicit benefit from the July 1, 2014 GASB 45 actuarial valuation on the July 1, 2014 beginning balances of the Solon Community School District are as follows:

	Business Type Activities						Governmental Activities
	Before &						
	School Nutrition	After School	Preschool Program	Spart Mart	Stone Academy	Total	
Net position June 30, 2014	\$ 219,906	353,306	101,156	541	836	675,745	18,816,961
GASB 68 restatement adjustment	(144,475)	(94,597)	(27,520)	-	-	(266,592)	(5,466,554)
Net OPEB liability restatement adjustment	17,585	3,658	3,216	-	-	24,459	203,017
Net position July 1, 2014, as restated	\$ 93,016	262,367	76,852	541	836	433,612	13,553,424

Note 13. Deficit Balances

At June 30, 2015, the District had one account in the Student Activity Fund with a deficit unassigned fund balance of \$750. The District's governmental activities also had a deficit unrestricted net position of \$2,345,867.

Note 14. Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Management Levy	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	630,800	19,314,218	3,368,653	2,564,031
Capital assets, net of accumulated depreciation	21,272,692	-	-	-	-
General obligation bond capitalized indebtedness	(4,581,119)	-	-	-	-
Revenue bond capitalized indebtedness	(4,148,000)	-	-	-	-
Unspent general obligation bond proceeds	-	-	(18,353,881)	-	-
Termination benefits	-	(364,687)	-	-	-
Accrued interest payable	-	-	-	(240,433)	-
Income surtax receivable	-	-	-	-	575,749
Internal service fund	-	-	-	-	49,699
Net OPEB liability	-	-	-	-	(386,026)
Net pension liability	-	-	-	-	(4,498,281)
Pension related deferred outflows	-	-	-	-	1,102,572
Pension related deferred inflows	-	-	-	-	(1,715,515)
Compensated absences	-	-	-	-	(44,885)
Assigned	-	-	-	-	7,539
Unassigned student activities	-	-	-	-	(750)
Net position (Exhibit A)	\$ 12,543,573	266,113	960,337	3,128,220	(2,345,867)

Solon Community School District

REQUIRED SUPPLEMENTARY INFORMATION

SOLON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,686,966	1,015,335	9,702,301	10,739,654	10,739,654	(1,037,353)
State sources	8,163,774	5,216	8,168,990	7,022,696	7,022,696	1,146,294
Federal sources	306,888	157,468	464,356	410,000	410,000	54,356
Total revenues	<u>17,157,628</u>	<u>1,178,019</u>	<u>18,335,647</u>	<u>18,172,350</u>	<u>18,172,350</u>	<u>163,297</u>
Expenditures/Expenses:						
Instruction	9,750,335	65,527	9,815,862	9,764,030	10,500,000	684,138
Support services	4,336,556	41,424	4,377,980	4,635,500	4,635,500	257,520
Non-instructional programs	-	965,779	965,779	1,112,500	1,165,000	199,221
Other expenditures	4,079,876	-	4,079,876	3,915,210	9,650,000	5,570,124
Total expenditures/expenses	<u>18,166,767</u>	<u>1,072,730</u>	<u>19,239,497</u>	<u>19,427,240</u>	<u>25,950,500</u>	<u>6,711,003</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,009,139)	105,289	(903,850)	(1,254,890)	(7,778,150)	6,874,300
Other financing sources, net	19,860,020	-	19,860,020	-	-	19,860,020
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	18,850,881	105,289	18,956,170	(1,254,890)	(7,778,150)	26,734,320
Balances beginning of year, as restated	8,098,382	433,612	8,531,994	6,496,568	6,496,568	2,035,426
Balances end of year	<u>\$ 26,949,263</u>	<u>538,901</u>	<u>27,488,164</u>	<u>5,241,678</u>	<u>(1,281,582)</u>	<u>28,769,746</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$6,523,260.

SOLON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.116569%
District's proportionate share of the net pension liability	\$ 4,717,652
District's covered-employee payroll	\$ 8,493,710
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.54%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 758,488	695,104	636,632	566,532	486,146	423,765	410,117	365,413	327,899	308,619
Contributions in relation to the statutorily required contribution	(758,488)	(695,104)	(636,632)	(566,532)	(486,146)	(423,765)	(410,117)	(365,413)	(327,899)	(308,619)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,493,710	7,783,919	7,342,930	7,020,223	6,994,906	6,097,338	6,458,535	6,039,884	5,702,591	5,367,287
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,235	\$ 1,235	0.0%	\$ 6,807	18.1%
2011	July 1, 2009	-	1,235	1,235	0.0%	6,854	18.0%
2012	July 1, 2011	-	1,235	1,235	0.0%	4,306	28.7%
2013	July 1, 2011	-	1,235	1,235	0.0%	3,908	31.6%
2014	July 1, 2011	-	1,231	1,231	0.0%	4,481	27.5%
2015	July 1, 2014	-	561	561	0.0%	5,014	11.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Solon Community School District

SUPPLEMENTARY INFORMATION

SOLON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 628,491	182,242	810,733
Receivables:			
Property tax:			
Delinquent	2,309	-	2,309
Succeeding year	454,998	-	454,998
Accounts	-	119	119
TOTAL ASSETS	\$ 1,085,798	182,361	1,268,159
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	22,260	22,260
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	454,998	-	454,998
Fund balances:			
Restricted for:			
Management levy purposes	630,800	-	630,800
Student activities	-	160,851	160,851
Unassigned	-	(750)	(750)
Total fund balances	630,800	160,101	790,901
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,085,798	182,361	1,268,159

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 485,611	-	485,611
Other	12,366	434,387	446,753
State sources	1,947	-	1,947
TOTAL REVENUES	499,924	434,387	934,311
EXPENDITURES:			
Current:			
Instruction:			
Regular	163,534	-	163,534
Special	11,096	-	11,096
Other	-	448,861	448,861
Support services:			
Instructional staff	21,530	-	21,530
Administration	28,721	880	29,601
Operation and maintenance of plant	187,698	3,550	191,248
Transportation	15,771	-	15,771
TOTAL EXPENDITURES	428,350	453,291	881,641
Change in fund balances	71,574	(18,904)	52,670
Fund balances beginning of year	559,226	179,005	738,231
Fund balances end of year	\$ 630,800	160,101	790,901

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2015

	Capital Projects			
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	General Obligation Bond Construction	Total
ASSETS				
Cash and pooled investments	\$ 1,370,261	592,609	18,912,620	20,875,490
Receivables:				
Property tax:				
Delinquent	-	3,142	-	3,142
Succeeding year	-	680,771	-	680,771
Due from other governments	185,147	-	-	185,147
TOTAL ASSETS	\$ 1,555,408	1,276,522	18,912,620	21,744,550
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	5,971	558,739	564,710
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	680,771	-	680,771
Fund balances:				
Restricted for:				
Debt service	595,071	-	-	595,071
School infrastructure	960,337	-	18,353,881	19,314,218
Physical plant and equipment	-	589,780	-	589,780
Total fund balances	1,555,408	589,780	18,353,881	20,499,069
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,555,408	1,276,522	18,912,620	21,744,550

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	General Obligation Bond Construction	
REVENUES:				
Local sources:				
Local tax	\$ -	654,484	-	654,484
Other	3,262	3,674	6,777	13,713
State sources	1,195,131	2,659	-	1,197,790
TOTAL REVENUES	1,198,393	660,817	6,777	1,865,987
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	218,886	-	218,886
Support services:				
Adminstration	-	3,923	118,279	122,202
Capital outlay	397,504	226,916	1,378,301	2,002,721
TOTAL EXPENDITURES	397,504	449,725	1,496,580	2,343,809
Excess(Deficiency) of revenues over(under) expenditures	800,889	211,092	(1,489,803)	(477,822)
Other financing sources(uses):				
Transfer out	(830,465)	-	-	(830,465)
Sale of equipment	16,336	-	-	16,336
General obligation bond proceeds	-	-	19,290,000	19,290,000
Premium on general obligation bond issuances	-	-	704,666	704,666
Discount on general obligation bond issuances	-	-	(150,982)	(150,982)
Total other financing sources(uses)	(814,129)	-	19,843,684	19,029,555
Change in fund balances	(13,240)	211,092	18,353,881	18,551,733
Fund balances beginning of year	1,568,648	378,688	-	1,947,336
Fund balances end of year	\$ 1,555,408	589,780	18,353,881	20,499,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-wide:				
Registration	\$ 5,937	308	-	6,245
Summer enrichment	276	-	-	276
Petty cash	43	-	-	43
District-wide activities	881	481	836	526
Science/Math boosters	5	-	-	5
Total District-wide	7,142	789	836	7,095
Lakeview Elementary:				
Win with reading	60	-	-	60
Book a Birthday	2	-	-	2
Lakeview activities	1,089	-	-	1,089
Art for education	1	-	-	1
Lakeview student council	9	-	-	9
Total Lakeview Elementary	1,161	-	-	1,161
Middle School:				
MS yearbook	4,433	2,870	3,614	3,689
MS art club	129	-	-	129
MS band resale	1,919	-	160	1,759
MS activities	927	-	-	927
MS student supplies	1,667	-	-	1,667
MS recycling	523	30	-	553
MS student council	8,952	3,199	4,769	7,382
MS cheerleading	5,818	-	-	5,818
MS dance team	2,296	695	960	2,031
You can do it	2,142	-	-	2,142
MS show choir	14,008	23,846	25,890	11,964
Total Middle School	42,814	30,640	35,393	38,061
High School:				
Drama	4,460	15,998	13,698	6,760
HS yearbook	10,797	3,234	3,263	10,768
Art club/Fine arts	9,182	4,905	6,372	7,715
Speech	2,277	-	183	2,094
All athletics	5	181,643	181,647	1
Boys soccer	894	-	727	167
Cross country	4,502	4,969	3,427	6,044
Boys basketball	70	1,343	1,338	75
Football	5,533	960	3,892	2,601
Baseball	1,964	33,290	33,301	1,953
Boys track	868	2,718	3,073	513
Boys golf	546	3,182	3,002	726

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Wrestling	3,434	11,512	12,704	2,242
Girls basketball	1,090	324	504	910
Volleyball	7,335	20,581	19,407	8,509
Girls soccer	9,006	-	1,374	7,632
Softball	3,930	21,865	19,274	6,521
Girls track	34	2,913	2,800	147
Girls golf	(58)	410	350	2
High school activities	12,343	-	11,507	836
Concessions	11,129	19,690	19,374	11,445
High school student supplies	10,299	-	8,977	1,322
HS spartan fund run	2	-	-	2
HS robotics club	360	9,021	9,108	273
Trapshooting	-	2,284	2,284	-
Archery	151	4,638	3,946	843
Spanish club	2,561	6,457	463	8,555
Flag corps	51	2,012	2,063	-
HS student council	556	1,578	1,678	456
School store	138	-	-	138
National honor society	11	1,802	2,563	(750)
Peer council	-	25	-	25
Band	366	6,917	6,573	710
HS football cheerleading	5,355	3,729	3,259	5,825
Dance team	3,136	11,656	10,886	3,906
Vocal music	473	1,996	2,168	301
HS show choir	1,920	10,956	12,258	618
HS wrestling cheerleading	1,636	1,721	2,662	695
FBLA	391	1,415	1,366	440
Pro life	114	-	-	114
Solon strong	343	-	343	-
Senior class	3,002	1,560	1,322	3,240
Junior class	7,682	5,654	3,926	9,410
Total High School	127,888	402,958	417,062	113,784
Total	\$ 179,005	434,387	453,291	160,101

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 6,749,547	6,507,254	7,431,558	7,397,406	7,086,979	6,696,782	6,317,275	6,096,403	4,681,730	4,284,269
Tuition	1,263,637	1,253,759	965,637	903,087	907,769	701,227	597,989	454,727	455,383	369,739
Other	673,782	660,614	649,582	642,948	747,506	707,657	545,908	605,667	561,951	581,774
State sources	8,163,774	7,893,927	6,387,139	6,325,263	5,873,363	5,027,367	5,962,340	5,769,420	5,291,614	5,019,959
Federal sources	306,888	314,128	440,496	432,864	838,435	429,159	196,169	205,620	261,185	185,326
Total	\$ 17,157,628	16,629,682	15,874,412	15,701,568	15,454,052	13,562,192	13,619,681	13,131,837	11,251,863	10,441,067
Expenditures:										
Instruction:										
Regular	\$ 6,614,359	6,132,145	5,966,398	5,672,800	5,361,983	4,890,205	4,915,440	4,507,086	4,312,966	3,912,378
Special	1,675,695	1,475,413	1,308,080	1,208,371	1,216,630	1,422,014	1,410,146	1,332,183	1,199,336	1,161,030
Other	1,460,281	1,391,176	1,154,990	1,262,613	1,400,327	990,784	788,476	798,361	758,279	714,789
Support services:										
Student	319,430	283,264	179,977	106,746	150,722	129,267	112,984	129,669	138,969	138,911
Instructional staff	468,560	441,957	371,000	371,764	571,707	461,454	565,697	595,483	637,501	597,467
Administration	1,637,759	1,423,805	1,337,163	1,274,157	1,241,130	1,200,426	1,148,097	1,123,161	1,095,277	1,023,438
Operation and maintenance of plant	1,427,229	1,490,699	1,262,566	1,284,429	1,204,281	1,192,543	1,222,444	1,210,421	1,175,993	1,195,883
Transportation	483,578	719,573	631,948	647,062	437,884	549,644	436,254	391,206	343,888	427,022
Capital outlay	2,002,721	1,022,580	2,092,522	3,884,535	3,384,606	1,382,411	255,744	363,038	340,888	121,754
Long-term debt:										
Principal	1,340,000	1,390,000	1,705,000	1,930,000	6,585,000	510,000	570,000	555,000	530,000	1,875,000
Interest and fiscal charges	230,454	260,234	276,514	15,890	407,547	362,345	301,343	322,005	341,631	561,060
Other expenditures:										
AEA flow-through	506,701	486,834	460,733	448,667	480,932	465,297	424,170	400,315	367,758	340,963
Total	\$ 18,166,767	16,517,680	16,746,891	18,107,034	22,442,749	13,556,390	12,150,795	11,727,928	11,242,486	12,069,695

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Solon Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Solon Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Solon Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solon Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Solon Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Solon Community School District's Responses to Findings

Solon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Solon Community School District's responses were not subjected to the auditing procedures applied in the audit or the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Solon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2016
Newton, Iowa

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It would appear that the District is lacking segregation of duties in the following areas:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - The District will continue to review our policies and procedures and implement changes to improve internal control(s) as we deem necessary and feasible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, did not exceed the amount budgeted.

II-B-15 Questionable Disbursements - We noted the following disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Gift Cards: Noted the District purchased a gift card from the HS Football Cheerleading account within the Student Activity Fund to be given as prizes for a t-shirt design contest. Giving cash or gift certificates/cards does not allow the board to "audit and allow" final purchases in accordance with Iowa Code Section 279.29 and does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards and cash incentives are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills. The gift cards do not provide the board with the ability to perform the required function of approving the final purchase. The District should refrain from purchasing gift cards for any purpose to be in accordance with the Attorney General’s opinion dated April 25, 1979.

Response - The District has already met with administration and other entities to ensure that gift cards are not allowable/appropriate purchases.

Conclusion - Response accepted.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-15 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Desmond Cervantez, Teacher Owner, DDC Publications	Purchased Services	\$1,660

In accordance with Attorney’s General Opinion dated July 2, 1990, the above transaction with the teacher does not appear to represent a conflict of interest.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	1,568,648
Statewide sales and services tax revenue	\$	1,195,131	
Sale of equipment		16,336	
Other local revenue		3,262	1,214,729
Total revenues			<u>2,783,377</u>
Expenditures/transfer out:			
School infrastructure construction		10,000	
Equipment		10,791	
Other		376,713	
Transfer to another fund:			
Debt service fund		830,465	1,227,969
Ending balance			<u>\$ 1,555,408</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Financial Condition - We noted during our audit that the Student Activity Fund had one account with a deficit unassigned fund balance of \$750 at June 30, 2015. We also noted the District's governmental activities had a deficit unrestricted net position of \$2,345,867 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should develop a plan to bring the deficit account within the Student Activity Fund back to a positive balance. The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will continue to work with personnel to ensure that the activity funds do not have any deficit unassigned balances.

Additionally, the District's governmental activities went deficit due to the implementation of GASB Statements No. 68 & No. 71 in fiscal year 2015 that require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$4,498,281 on June 30, 2015. The District is not allowed to fund this liability and will investigate means to bring this deficit to a positive balance.

Conclusion - Response accepted.